

INDUSTRIAL DEVELOPMENT BOARD OF
THE CITY OF HAMMOND, INC.

ANNUAL FINANCIAL STATEMENTS

JUNE 30, 2006

HAMMOND, LOUISIANA

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 1/10/07

Industrial Development Board of the City of Hammond, Inc.
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June 30, 2006

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November 1, 2006

Independent Auditor's Report

Mr. Pat Tobler, President and
Members of the Board of Directors
Industrial Development Board of the City of Hammond, Inc.
Hammond, Louisiana

We have audited the accompanying statement of financial position of the Industrial Development Board of the City of Hammond, Inc., a component unit of the City of Hammond, Louisiana, as of June 30, 2006, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Industrial Development Board of the City of Hammond, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Industrial Development Board of the City of Hammond, Inc. as of June 30, 2006, and the changes in net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2006, on our consideration of the Industrial Development Board of the City of Hammond, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Respectfully submitted,

Hannis T. Bourgeois, LLP

Industrial Development Board of the City of Hammond, Inc.
Statement of Financial Position
June 30, 2006

Exhibit A

Assets

Current Assets:

Cash	\$ 333,202
Cash Held By Attorney	80,000
In-House Escrow	<u>96,490</u>

Total Current Assets 509,692

Property and Equipment:

Furniture and Fixtures	5,040
Accumulated Depreciation	<u>(2,821)</u>

Total Property and Equipment 2,219

Investment - Land Industrial Park 368,690

Total Assets \$ 880,601

Liabilities and Net Assets

Liabilities:

Accounts Payable	\$ 14,842
Payroll Liabilities Payable	2,246
Deposit Liability	<u>10,000</u>

Total Liabilities 27,088

Net Assets:

Temporarily Restricted 853,513

Total Net Assets 853,513

Total Liabilities and Net Assets \$ 880,601

The accompanying notes are an integral part of this statement.

Industrial Development Board of the City of Hammond, Inc.
Statement of Activities
For the Year Ended June 30, 2006

Exhibit B

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
Revenues:			
Gain from Sale of Land	\$ -	\$ 371,690	\$ 371,690
Interest Income	-	6,242	6,242
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	426,838	(426,838)	-
Total Revenues	426,838	(48,906)	377,932
Expenses:			
Program Services:			
Accounting	22,118	-	22,118
Advertising	6,218	-	6,218
Business Park - Permits and Studies	51,573	-	51,573
Commissions - Land Sales	14,097	-	14,097
Consulting	15,196	-	15,196
Contract Services - SLU Offices	5,600	-	5,600
Parish Economic Development	5,625	-	5,625
Depreciation	940	-	940
Dues and Subscriptions	434	-	434
Grant to HAEIDD	179,707	-	179,707
Grounds & Maintenance - Industrial Park	1,300	-	1,300
Insurance	1,228	-	1,228
Legal Fees	86,030	-	86,030
Office Equipment	1,526	-	1,526
Office Supplies	521	-	521
Payroll Expenses	32,186	-	32,186
Travel, Education, and Training	2,539	-	2,539
Total Expenses	426,838	-	426,838
Change in Net Assets	-	(48,906)	(48,906)
Net Assets - Beginning of the Year - Originally Stated	-	1,119,300	1,119,300
Prior Period Adjustments	-	(216,881)	(216,881)
Net Assets - Beginning of the Year - Restated	-	902,419	902,419
Net Assets - End of the Year	\$ -	\$ 853,513	\$ 853,513

The accompanying notes are an integral part of this statement.

Industrial Development Board of the City of Hammond, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2006

Exhibit C

Cash Flows from Operating Activities:

Change in Net Assets \$ (48,906)

Adjustments to Reconcile Change in Net Assets To

Net Cash Provided by / (Used In) Operating Activities:

Depreciation 940

Gain on Sale of Land (371,690)

Increase / (Decrease) in Accounts Payable 7,413

Increase / (Decrease) in Payroll Liabilities Payable 2,246

Increase / (Decrease) in Deposit Liability 10,000

Net Cash (Used In) Operating Activities (399,997)

Cash Flows from Capital and Related Financing Activities:

Sale of Real Estate 744,360

Net Increase in Cash and Cash Equivalents 344,363

Cash and Cash Equivalents - Beginning of the Year 165,329

Cash and Cash Equivalents - End of the Year \$ 509,692

The accompanying notes are an integral part of this statement.

Industrial Development Board of the City of Hammond, Inc.
Notes to Financial Statements
As of and for the Year Ended June 30, 2006

1. Summary of Significant Accounting Policies

A. Business Activity

The Industrial Development Board of the City of Hammond, Inc. ("HIDB") is a non-profit public corporation created by the City of Hammond, Louisiana for the purpose of acquiring, owning, leasing, and disposing of property in order to promote industry and develop trade by inducing manufacturing, industrial, and commercial enterprises to locate enterprises in the greater Hammond area. The Board is governed by a Board of Directors who are appointed by the City Council of the City of Hammond.

B. Financial Reporting Entity

Government Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, established criteria for determining which component units should be considered part of the reporting entity for financial reporting purposes. The basic criteria are as follows:

1. Legal status of the potential component unit including the right to incur its own debt, levy of its own taxes and charges, expropriate property in its own name, sue and be sued, and the right to buy, sell, and lease property in its own name.
2. Whether the City governing the Industrial Development Board of the City of Hammond, Inc. appoints a majority of board members of the potential component unit.
3. Fiscal interdependence between the City and the potential component unit.
4. Imposition of will by the City on the potential component unit.
5. Financial benefit / burden relationship between the City and the potential component unit.

Based on the previous criteria, the Industrial Development Board of the City of Hammond, Inc. is considered to be a component unit of the City of Hammond, Louisiana.

C. Basis Of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SF AS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SF AS No. 117, the organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

D. Basis Of Accounting

The financial statements of the HIDB have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

E. Income Recognition

HIDB's main source of revenue is generated from Land Sales in the Industrial Park. This land was donated approximately 30 years ago from the City of Hammond. The estimated value at the time of donation was \$10,000 per acre.

Industrial Development Board of the City of Hammond, Inc.
Notes to Financial Statements (Continued)
As of and for the Year Ended June 30, 2006

F. Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and / or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

G. Accounts Receivable

Accounts receivable is recorded at the amounts HIDB expects to collect on balances outstanding at year-end.

H. Property And Equipment

Property and equipment are recorded at cost. Depreciation of property and equipment is provided using the straight-line method for financial purposes at rates based on the following estimated lives:

Furniture & Fixtures	3 – 10 Years
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I. Income Taxes

HIDB is a nonprofit organization as described in Section 501(c)(6) of the Internal Revenue Code and is exempt from federal and state income taxes.

J. Cash Flow Information

HIDB considers all short-term investments with an original maturity of three months or less to be cash equivalents.

K. Use Of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Industrial Development Board of the City of Hammond, Inc.
Notes to Financial Statements (Continued)
As of and for the Year Ended June 30, 2006

2. Property and Equipment

Property and equipment consists of the following at June 30, 2006:

Furniture & Fixtures	\$ 5,040
Less: Accumulated Depreciation	<u>(2,821)</u>
Net Property and Equipment	<u>\$ 2,219</u>

3. Related Party Transactions

On February 1, 2003, HIDB entered into a Cooperative Endeavor Agreement with the Hammond Area Economic and Industrial Development District (HAEIDD). HAEIDD is a political subdivision of the State of Louisiana created for the purpose of promoting and encouraging the development of economic and industrial opportunities, stimulating the economy through renewed commerce and industry, and utilizing and developing natural and human resources to provide job opportunities. HIDB and HAEIDD agreed to collaborate efforts to further the economic interest of the Hammond community. In this agreement, HIDB agreed to reimburse HAEIDD for expenses HAEIDD incurs on behalf of HIDB. HAEIDD agreed to reimburse HIDB for expenses HIDB incurs on behalf of HAEIDD.

During the year ended June 30, 2006, a resolution by both HIDB and HAEIDD was passed that had the effect of treating all expenses paid by HIDB on behalf of HAEIDD as prior period grants rather than payables. As a result, all related party accounts receivable were removed from HIDB's financial statements and treated as prior year decreases in fund balance. See Note 9 for further details concerning this prior period adjustment.

4. Job Creation Incentive

HIDB owns property (Industrial Park) that is marketed and sold for the benefit of the organization. When a piece of property is sold, an agreement is made with the purchasers concerning the creation of new employment positions. The agreement states that if the purchaser creates five new employment positions for each acre purchased within two years of the purchase date, they will be refunded \$1,000 for each new position created with a maximum of a \$5,000 refund of the purchase price. At year-end, HIDB has a potential liability to existing purchasers of \$181,490. If at the end of the two-year period, the purchaser has not created the employment positions, the refund is forfeited and the escrowed cash will be transferred to HIDB's regular operating checking account. At June 30, 2006, \$166,490 of the contingent liability is deposited in cash escrow accounts. The remaining amount of \$15,000 will be paid from the regular operating checking account if the job creation incentive is met.

5. Donation of Property

HIDB records the value of donated goods or services when there is an objective basis available to measure their value. Donated materials or equipment, when received, are reflected as contributions in the accompanying statements at their estimated fair market values at the date of receipt.

Approximately 30 years ago, HIDB received a donation of land from the City of Hammond. This donation included 85.17 acres of land at a value of \$ 10,000 per acre. As of June 30, 2006, 36.869 acres were available for sale. The remaining land is recorded on the financial statements as an investment in land.

Industrial Development Board of the City of Hammond, Inc.

Notes to Financial Statements (Continued)

As of and for the Year Ended June 30, 2006

6. Restrictions on Net Assets

Temporarily restricted net assets are available for the following purposes:

Promoting Economic Development	<u>\$ 853,513</u>
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7. Net Assets Released from Restrictions

Net assets released from donor restrictions for incurring expenses satisfying the restricted purposes are as follows:

Promoting Economic Development	<u>\$ 426,838</u>
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8. Concentration of Credit Risk

HIDB maintains cash accounts with commercial banks which are insured by the FDIC up to \$100,000. Periodically, cash may exceed this FDIC amount.

9. Prior Period Adjustments

HIDB made a prior period adjustment to reclassify \$216,881 of prior year expenses paid on behalf of HAEIDD as grants to HAEIDD rather than receivables due from HAEIDD. In addition, a prior period adjustment for \$10,000 was made to correct land options incorrectly recorded as assets during the prior year and another prior period adjustment for \$10,000 was made to correct accounts payable incorrectly recorded in the prior year relating to the job creation incentive program. The cumulative prior period adjustment of \$216,881 restates the net assets at the beginning of the year.

**Other Independent Auditor's Report and
Findings and Questioned Costs**

**Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing
Standards***



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November 1, 2006

Mr. Pat Tobler, President and
Members of the Board of Directors
Industrial Development Board of the City of Hammond, Inc.
Hammond, Louisiana

We have audited the financial statements of the Industrial Development Board of the City of Hammond, Inc. as of and for the year ended June 30, 2006, and have issued our report thereon dated November 1, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Industrial Development Board of the City of Hammond, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that material misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Industrial Development Board of the City of Hammond, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

Hannis T. Bourgeois, LLP

Findings and Questioned Costs

Industrial Development Board of the City of Hammond, Inc.
Schedule of Findings and Questioned Costs
As of and for the Year Ended June 30, 2006

Internal Control over Financial Reporting

None

Compliance and Other Matters

None

Summary Schedule of Prior Findings

Industrial Development Board of the City of Hammond, Inc
Summary Schedule of Prior Findings
As of and for the Year Ended June 30, 2006

Ref.#	Fiscal Year Findings Initially Occurred	Description of Findings	Corrective	Planned Corrective Action -	
			Action Taken	Partial Corrective Action Taken	
N/A	N/A	N/A	N/A	N/A	

Note: This schedule has been prepared by the management of the Industrial Development Board of the City of Hammond, Inc.